



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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FED EASING IS NEEDED TO INSURE PRICE STABILITY

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WASHINGTON, D.C. – The Federal Reserve should move to ease monetary policy and bolster price stability at its June 24th-25th policy meeting, Vice Chairman Jim Saxton said today. Saxton also recently released a JEC study, [Monetary Policy in Low Inflation/Deflation Environments](#), describing options the Federal Reserve has for easing policy even when short-term interest rates are barely above zero.

“Chairman Greenspan is right to emphasize the Federal Reserve’s determination to prevent potential deflation, even if its probability appears small,” Saxton said. “At his recent appearance before the Joint Economic Committee he made a similar statement, and also refuted the view that Federal Reserve monetary policy is constrained by the low level of short term interest rates.

“The Federal Reserve must be preemptive in acting to counter any threat to price stability, whether it is in the form of inflation or deflation. In the current economic environment, downward pressure on prices cannot be dismissed as a factor that must be considered in setting monetary policy. A Fed easing of monetary policy soon would be appropriate.

“Although there have been recent hints at possible improvement in economic conditions, there is no hard evidence that a sustained acceleration of economic growth is under way. Given the weakness in the domestic and international economy, and the trends in various core price measures, downward pressures on prices could continue to pose a risk to price stability. Chairman Greenspan’s recent comments indicate the Fed will act accordingly,” Saxton concluded.

For a copy of the JEC study and more information on monetary policy, please visit our website at www.house.gov/jec.

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